WASHINGTON DC ECONOMIC PARTNERSHIP

DMPED
OFFICE OF THE DEPUTY MAYOR FOR PLANNING & ECONOMIC DEVELOPMENT

GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

Washington, DC
Retail Strategic Plan

EXECUTIVE SUMMARY

MAY 2026

Prepared by STREETSENSE

For decades, DC's retail environment has been supported by a strong and diverse set of demand drivers, including a dense concentration of office workers, a growing residential base, and a steady flow of visitors. These dynamics supported a wide range of retail formats, from convenience-driven concepts in employment centers to curated, destination-oriented corridors across neighborhoods like Georgetown, 14th Street, and Capitol Hill. While some areas benefited from high-volume demand, others succeeded through intentional tenant mix, strong identity, and consistent neighborhood support.

A MARKET IN TRANSITION

That model has been fundamentally disrupted. Following the pandemic, which both accelerated certain trends and changed how people work, spend time, and make purchasing decisions, we are at an inflection point. The reduction in daily office presence has disrupted long-standing patterns of daytime activity. At the same time, consumers are placing greater value in experience and social interaction, while still expecting convenience, reshaping the environments in which they choose to spend time and shifting the types of retail that succeed. Meanwhile, regional competition has intensified, with nearby jurisdictions offering an easier opening process, lower costs, modern retail spaces, and more predictable operating conditions.

At the same time, retailers themselves are making more selective and risk-conscious decisions. Expansion strategies have shifted toward fewer, higher-performing locations, with greater emphasis on co-tenancy, predictability, and operating costs. This change in retailer behavior is reinforcing broader market shifts and contributing to uneven performance across submarkets.

These are not temporary disruptions. They represent a structural shift in the urban retail economy. DC continues to benefit from an affluent and highly educated population, a globally recognized tourism base, and a diverse network of retail submarkets that generate consistent local demand. Amidst all of this, retail activity has not disappeared; it has been redistributed and redefined. Some submarkets continue to perform and evolve, while others are still adjusting to new realities as legacy demand drivers weaken.

Today, our central challenge is not whether demand exists, but rather how well the retail environment is aligned with shifting demand patterns – and what the District and its partners can do working together to ensure successful retail outcomes for both new and existing businesses. This study and retail strategic plan, developed collaboratively by the Washington DC Economic Partnership (WDCEP) and the Deputy Mayor for Planning and Economic Development (DMPED), is grounded in the belief that coordinated strategies can strengthen the conditions that support more robust and resilient retail activity across the District.

PURPOSE AND APPROACH OF THIS STUDY

Rather than approaching retail as a static inventory of space or simply a function of attraction efforts, this study evaluates Washington, DC's retail environment as an ecosystem shaped by the interaction of consumers, tenants, property owners, and the public sector. Improved retail performance is a reflection of how effectively these elements work together.

The analysis combines national and local market data, fieldwork, and stakeholder input to assess retail conditions across DC, at both the District-wide and submarket levels. It is designed to support a broad set of stakeholders, including District leadership, brokers, retailers, developers, property owners, BID organizations, and Main Street organizations, each of whom plays a role in shaping retail outcomes. By establishing a shared understanding of market conditions, this report provides a common foundation for decision-making and action.

> **When demand, quality of spaces, tenant mix, and operating conditions are aligned, retail districts thrive and attract investment.**

Importantly, this is not a plan to restore pre-pandemic retail conditions. It is a framework to reposition DC's retail environment for the future. That requires a more targeted and disciplined approach, one that recognizes that not all locations can support the same type or scale of retail that they used to, and that success depends on aligning retail uses with the specific demand drivers and physical conditions of each submarket. It also requires acknowledging the role of retail as more than simply an economic output. Retail is the most visible layer of a city. It shapes first impressions, influences perceptions of safety and vitality, and reinforces the value of office, residential, and mixed-use environments. It is often the element that makes other investments viable, supporting leasing, occupancy, and long-term value creation. In this way, retail functions as both an economic driver and a foundational component of place.

A FORWARD-LOOKING STRATEGY

This report provides a data-driven roadmap to strengthen retail's role in DC. It outlines the structural forces shaping retail performance, identifies where opportunities for growth and repositioning exist, and defines a set of strategies to better align the District's retail attraction efforts with the needs of current tenants. Ultimately, successful tenants make DC a better place to live, work, and spend time.

Part 1

Washington, DC Retail Landscape Historic & Current Conditions

Washington, DC's retail market is not in decline. *It is being restructured.*

For decades, DC benefited from a unique combination of demand drivers that supported a robust urban retail environment. DC has long functioned as both a neighborhood-serving market and a regional destination, supported by a large employment base, a growing residential population, substantial visitor activity, and a network of well-established commercial corridors. Historically, office workers played an outsized role in supporting daytime retail demand, particularly in Downtown and employment-oriented submarkets.

Today, many of these underlying strengths remain intact. Washington, DC continues to be supported by nearly 700,000 residents, a substantial employment base of approximately 743,000 jobs, and more than 27 million annual visitors, creating a broad and diverse foundation for retail demand.[1] Even as these fundamentals remain strong, we acknowledge that the ways in which consumer demand expresses itself across the District have shifted considerably in recent years.

743k JOBS

27M+ ANNUAL VISITORS

700k RESIDENTS

19.2 million square feet OF SUPPORTABLE DEMAND

CURRENT MARKET REALITY

Retail demand in Washington, DC remains substantial and continues to be supported by a large and diverse consumer base, translating to approximately 19.2 million square feet of supportable retail demand.[2] While market conditions are evolving, current indicators suggest a market adjustment rather than a decline. Today, residents and visitors play an increasingly important role in shaping retail performance across the District, creating a broader and more diversified demand base. At the same time, some office-oriented environments continue to adapt to post-pandemic workplace patterns and changing expectations around how people use urban environments.

1 U.S. Census, ACS, ESRI Business Analyst, Placer.ai, Streetsense analysis, 2025.

2 Streetsense analysis of BLS Consumer Spending, U.S. Census 2025, ESRI Business Analyst, and retail demand modeling.

Part 2

Shifting Market Conditions

EXPANSION
Reurbanization (2000s–mid 2010s)

Demand drivers: resident growth; federal economic stability

Population & icome growth, particularly among young professionals and families

Strong retail absoprtion alongside new supply

Rising office and residential development

MATURITY
The Boom Years (2016–2019)

Demand drivers: population gains, mixed-use growth, tourism

High rents, low vacancy

Record tourism and strong consumer spending

Targeted neighborhood retail growth

SHOCK
COVID Disruption (2020–2022)

Demand drivers: essential service; local demand; digital access

Sudden collapse & survival mode

Acceleration of delivery/digital

F&B and service become central

CORRECTION
Structural Reset (Today)

Demand drivers: reduced daytime populations, visitor rebound

Slowed population growth

Office occupancy decline

Rising retail vacancies

INFLECTION POINT

RECOVERY
Repositioning (Future)

Demand drivers: residents, visitors; experience-led activity (downtown) & neighborhood amenities

Storyline repositioning & new narrative

Retail activity concentrates into fewer, stronger nodes

Washington DC's retail districts are on the receiving end of the evolving ways in which retailers evaluate locations, how consumers choose destinations, and what types of environments are best positioned for long-term success. These include the following:

CONSUMER SHIFTS

Consumers are spending differently and making more intentional decisions about where and why they leave home.

- **Trips are increasingly selective.** Consumers are making fewer discretionary trips and expecting greater value from each outing.
- **Destinations matter.** Consumers increasingly seek environments that offer activity, energy, and reasons to linger.
- **Convenience alone is no longer enough.** Routine purchases increasingly occur online or closer to home, placing greater pressure on physical retail environments to create differentiated experiences.

DC consumers are **14.6% more likely** to shop online than the national average, increasing the need for physical retail to deliver compelling, destination-oriented experiences.

Capital One, online shopping statistics by state, 2025

RETAILER SHIFTS

Retailers have become more disciplined and selective in how they expand.

- **Expansion has slowed and become more targeted.** Brands increasingly prioritize a smaller number of high-performing locations and retail growth has occurred among categories, such as service and food and beverage, that generally occupy smaller spaces. As a result, the average size of store size continues to fall to historic lows.[1]
- **Experience-driven retail continues to outperform.** Dining, entertainment, wellness, and social uses have become increasingly important demand generators and align well with urban mixed-use environments. Experience-oriented environments generate 40-60% longer dwell times and higher visit frequency.
- **Tenant improvement and construction costs have increased.** Higher buildout costs have raised the stakes of location decisions, creating hurdles to signing deals and opening.
- **Retailers are increasingly risk sensitive.** Uncertainty related to costs, timelines, and market performance has increased caution.
- Predictability matters. Speed, transparency, and certainty increasingly influence site selection decisions.

1 CoStar News, "Retailers Keep Favoring Smaller Store Sizes," 2023.

STRUCTURAL SHIFTS

Broader economic and workplace changes continue to reshape urban retail environments.

- **Hybrid work has altered demand patterns.** Daily activity is less concentrated and less predictable than in pre-pandemic conditions.

The average U.S. store size has declined to approximately 3,200 square feet – the smallest in over a decade – as retailers adapt to fewer shopping trips and more targeted purchasing behavior.

Wall Street Journal, 2024

- **Residential growth is creating new retail demand.** Conversions and mixed-use development are gradually shifting some districts toward a more stable all-day customer base.
- **Demand is becoming more diversified.** Residents, visitors, and experiential trips increasingly supplement traditional office-worker demand, reducing reliance on a single customer segment.
- **Competition has intensified.** Suburban mixed-use environments increasingly compete for tenants by offering lower costs, more flexible spaces, and highly curated experiences.

KEY FINDINGS

Washington, DC's retail ecosystem, like any retail ecosystem, is shaped by a set of interdependent factors: consumer demand; the physical conditions that shape the customer experience; tenant mix, which defines a district's value proposition; competitive alternatives that influence choices for both consumers and tenants; and the regulatory environment, which quietly shapes barriers to entry and business operations. This study assesses where these systems are working, where they are creating friction, and what actions are needed to strengthen retail performance. Our key findings include:

MARKET REALITY

Robust but Shifting Demand, Indicate Need for Market Correction

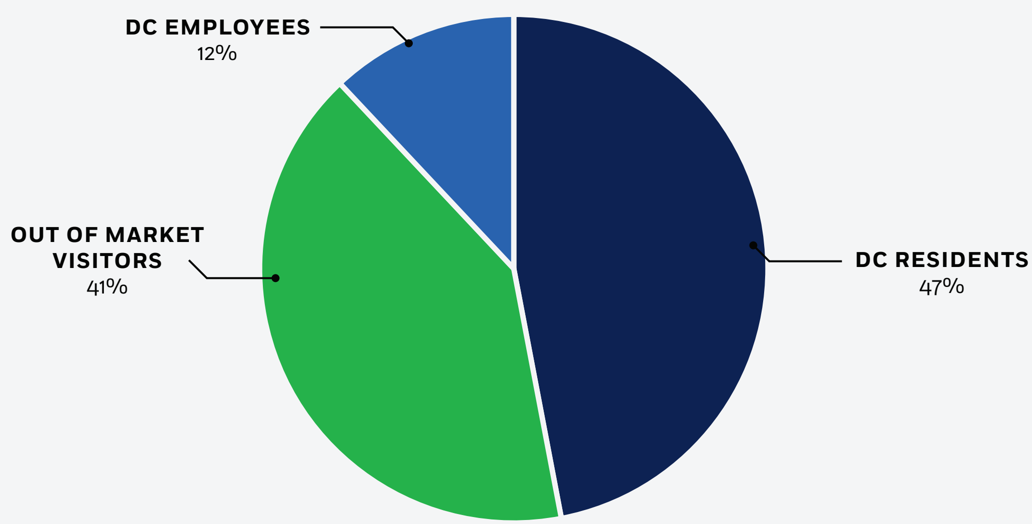
As consumer behavior shifts toward more selective, convenience and experience-driven spending, portions of that supply are no longer aligned with retailers needs or how consumers shop. Emerging growth categories such as food and beverage, wellness, entertainment, and experience-driven concepts increasingly align with DC's urban environment and retail inventory. Food & Beverage represent the DC's largest category opportunity at approximately 7.3 million square feet of supportable demand, while fitness & wellness account for roughly 1.5 million square feet of demand compared with approximately 930,000 square feet of existing supply, indicating unmet market potential. Consumer visitation patterns reinforce these trends.[2] Fitness visitation in DC increased 27% since 2019, while entertainment uses generate exceptionally long average dwell times of approximately 125 minutes, supporting evening activity and destination spending.[3]

Retail demand is now anchored by residents and visitors. Retail demand in DC is supported by a nearly $14B spending base, translating to approximately 19.2M SF of retail demand, with current conditions reflecting a slight oversupply.

2 Streetsense analysis of BLS Consumer Spending, CENSUS 2025.

3 PlacerAI

Revenue Potential by Customer Segment



SOURCE: Streetsense analysis of BLS Consumer Spending, CENSUS 2025.

Demand is anchored by residents and visitors, with residents representing the largest and most stable source of spending at approximately 47% of total demand. Visitors contribute 41% of total demand, driving incremental spending, particularly in experiential and destination-oriented categories, and representing a key opportunity for future growth.[4]

SUBMARKET REALITY

DC Is a System of Distinct Retail Environments

Retail performance varies significantly across DC's submarkets, reflecting fundamentally different retail ecosystems. Vacancy ranges from approximately 6–12% in stronger, residentially anchored corridors to 15–25% or higher in office-dependent areas such as the Golden Triangle and Downtown, where vacancy approaches 28%.[5] These differences are driven by distinct demand profiles, with submarkets supported by stable residential populations and visitor activity demonstrating the strongest performance and resilience.

The study categories DC's submarkets into distinct typologies that reflect overall retail supply and the scale and diversity of consumer demand drivers. These typologies include Employment/Tourism/Destination, Large Market-Serving, and Local Market-Serving, and establish the foundation for the analytical findings that inform the submarket and tenant strategies in the plan.

4 Streetsense analysis of BLS Consumer Spending, CENSUS 2025.

5 Inventory, Dochter & Alexander Retail Advisors

EXECUTION REALITY

Friction Is Limiting Market Potential

Retailers are more selective and risk-sensitive than ever, with expansion decisions increasingly shaped by operating costs, capital constraints, and certainty of execution. As retail decision-making becomes more selective, the next opportunity lies in stronger coordination among stakeholders, better market storytelling, and continued improvements to permitting and regulatory processes that can accelerate deal flow and improve conversion. Building on DC's established strengths in market intelligence and retail attraction can help strengthen DC's recovery narrative, support tenant interest, and reinforce the District's competitiveness within the region.

DC is well positioned to meet this challenge. For nearly two decades, the District has maintained a proactive approach to retail attraction through WDCEP, which has built strong relationships with brokers, developers, retailers, and industry partners while serving as a trusted market convener and front door to the District.

Submarkets Defined

EMPLOYMENT/TOURISM/DESTINATION submarkets contain more than 1 million square feet of occupied retail and are supported by employment, tourism, and regional visitation, enabling larger-format retail, destination dining, entertainment, and experiential uses.

LARGE MARKET-SERVING submarkets contain between 500,000 and 1 million square feet of occupied retail and combine strong residential demand with supporting employment or visitor activity.

And finally,

LOCAL MARKET-SERVING submarkets contain less than 500,000 square feet of occupied retail and rely primarily on nearby residents, supporting convenience-oriented and daily-needs retail.

Part 3

Opportunities and Strategic Priorities

STRATEGIC IMPLICATIONS

The findings from this study provide a clearer understanding of how retail functions across Washington, DC and create an opportunity for a more targeted approach to retail strategy. Rather than treating the District as a single market, the analysis highlights important differences in submarket roles, customer bases, and retail environments that can inform more tailored strategies. As consumer preferences evolve and retailers become increasingly selective, future success will depend on aligning retail categories with the environments best positioned to support them, strengthening district identities, and building on the unique assets and demand drivers that already exist across the District.

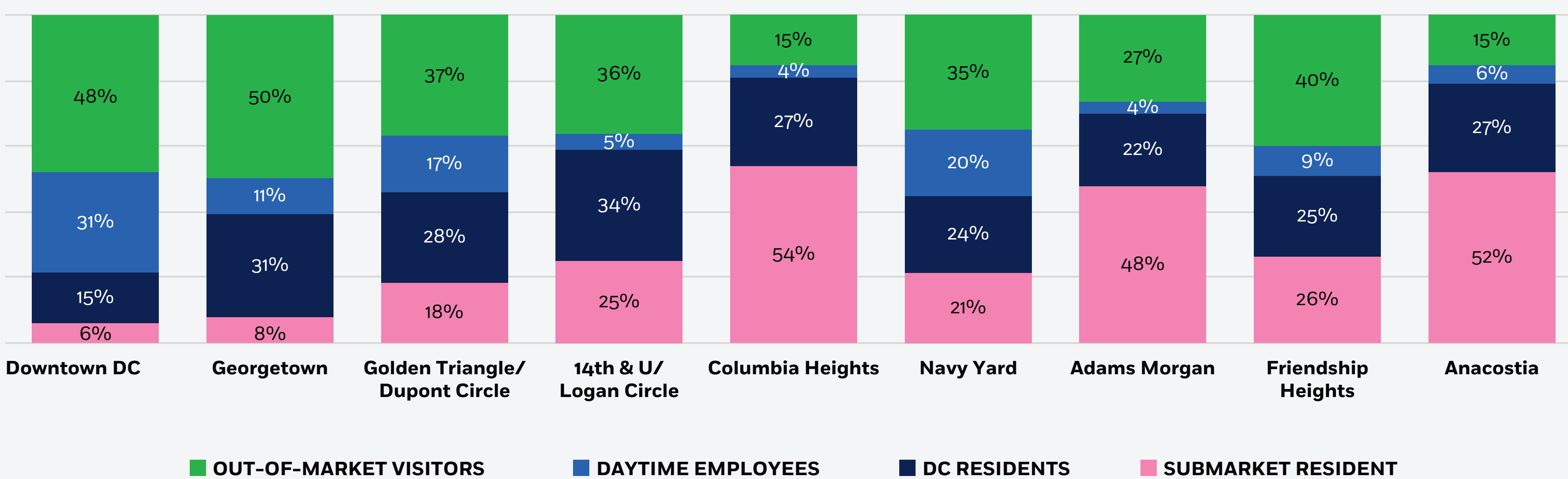
A SUBMARKET-BASED APPROACH

Washington, DC does not function as a single retail market. Rather, it operates as a collection of distinct retail environments with different demand drivers, customer profiles, and operating conditions.

Based on stakeholder input, market analysis, and field observations, nine submarkets representing three typologies, Employment/Tourism/Destination, Large Market-Serving, and Local Market-Serving, were selected for deeper analysis as case studies reflecting broader District-wide conditions. As illustrated below, customer composition varies meaningfully across the District. Downtown DC and Georgetown attract a larger share of out-of-market visitors and daytime employees, while districts such as Adams Morgan, Columbia Heights, and Anacostia are driven more heavily by local residents and nearby communities. This approach recognizes that a one-size-fits-all strategy is unlikely to produce consistent outcomes across the District.

STRATEGIES

WDCEP and DMPED look forward to advancing this work in partnership with public, private, and community stakeholders through a coordinated set of tactics outlined in this plan. Together, these actions are intended to strengthen market perception, expand and diversify the



SOURCE: Placer.ai, 2025.

CATEGORIES FOR RETAIL FOCUS

Several categories emerged as strategic priorities because of their alignment with current demand trends and their ability to activate space, generate visitation, and support longer dwell times. At the same time, grocery and essential services remain foundational to neighborhood function and quality of life.

FITNESS & WELLNESS

- DC visitation growth +27% since 2019
- ~1.5M SF demand vs. ~930K SF supply
- High-frequency visits (3-5x weekly)
- DC ranks among the healthiest and most active cities

ENTERTAINMENT

- 125 min average dwell time
- Supports evening and weekend traffic
- Captures visitor spending –$423 spend per 27.2M visitor
- Culture anchors (museums/sports) create natural demand and synergies
- Visitation since 2019 is -30% but stabilized in the last few years

FOOD & BEVERAGE

- Largest retail demand category in DC (~7.3M SF)
- Primary driver of daily foot traffic
- Resonates with all DC consumer groups – resident, daytime & visitor spending
- High affinity for chef-driven and local concepts (DC is known as a Food Capital)
- Significant leasing momentum with high profile concepts

tenant pipeline, improve decision-making tools, and create conditions that better support retail investment across the District.

Organized into four strategic priorities, these tactics are designed to function as an integrated system. Their success will depend not on any single initiative, but on coordinated implementation across agencies, stakeholders, property owners, and submarkets.

Modernize and Diversify the Tenant Pipeline

Modernizing and Diversifying the Tenant Pipeline is about aligning recruitment efforts with how tenants expand today. Traditional, conference-driven approaches are no longer sufficient on their own. Growth is increasingly coming from regional operators, emerging brands, and multi-unit local concepts—many of which are not broker-represented and require more proactive, relationship-driven outreach. By combining improved narrative, stronger market intelligence, targeted outreach, and submarket-level coordination, DC can build a more diverse and resilient tenant pipeline that better reflects the scale, format, and character of different retail environments across the District.

Key Actions:

- **Diversify Tenant Outreach and Pipeline Development**: Expand beyond ICSC and traditional channels to include targeted outreach, relationship-building, and local market engagement.

- **Develop a Regional and Local Tenant Attraction Strategy**: At the submarket and district-wide level, work with local partners to identify and maintain a pipeline of growing operators through competitive market visits, broker intelligence, and direct community engagement. Building on the submarket deep dives, convene property owners, BIDs, brokers, and stakeholders around district-specific tenant attraction priorities and implementation strategies.

Control the Narrative

Control the Narrative is about shaping how the market understands DC. In an environment where perception often drives site selection as much as performance, this strategy ensures that accurate, data-driven stories about DC's retail strengths, momentum, and opportunities are consistently communicated to local, regional, and national audiences. This effort helps "grease the wheels" for tenant interest—building awareness, reinforcing confidence, and creating the conditions for inbound inquiries and proactive outreach to be more effective.

Key Actions:

- **State of DC Retail Report (Quarterly or Annual)**: Establish a consistent, authoritative market report that communicates performance, trends, and opportunities.

- **Online Broker Toolkits**: Develop corridor-level leasing maps and materials that clearly communicate co-tenancy, availability, and market positioning.

- **Narrative Amplification and Earned Media**: Proactively place stories, leasing wins, and market insights to shape external perception and reinforce momentum.

Deliver Unparalleled Market Intelligence

Delivering Unparalleled Market Intelligence is about providing the information that retailers, brokers, and investors cannot easily access on their own. In a market where high-level data is widely available, value comes from highly localized, corridor-level insights that clarify risk, highlight opportunity, and support real-world site selection decisions. At the same time, stronger data systems allow WDCEP and DMPED to more effectively prioritize submarkets, target the right retail categories, and allocate resources in a way that reflects current market dynamics. This strategy transforms data from a marketing tool into a decision-making and deal-making tool.

Key Actions:

- **Strengthen Data Inputs**: Build a consistent, District-wide data foundation, including retail inventory, vacancy, tenant mix, and demand drivers.

- **Reframe Profiles as Decision Tools**: Redesign submarket and corridor profiles to communicate opportunity, constraints, target tenants, and space requirements, helping retailers evaluate fit and property owners identify repositioning opportunities needed to meet evolving tenant demand.

Improve the Regulatory and Permitting Environment

The regulatory and permitting environment is about aligning the District's processes with the needs of modern retail, enabling new and evolving concepts to open on more predictable timelines. Even where demand exists, uncertainty in permitting, licensing, and zoning processes can delay or derail deals. Reducing friction, increasing predictability, and aligning regulations with modern retail formats are critical to improving DC's competitiveness relative to regional markets. This is the step that converts interest into executed deals.

Key Actions:

- **Reform Zoning and Land Use Regulations**: Modernize use definitions and remove outdated constraints that limit evolving retail formats.

- **Expedite Licensing and Permitting Processes**: Improve coordination, transparency, and timelines across agencies.

- **Expand Incentive Tools to Attract Destination Retailers**: Leverage targeted financial tools, including TIF and commercial property tax abatements, to offset tenant improvement costs and improve deal feasibility for priority retail categories and catalytic locations.

CONCLUSION

Looking ahead, the DC's future retail success will not be driven by a return to pre-pandemic conditions, but by its ability to adapt to new patterns of demand, support the right types of retail in the right locations, and reduce barriers that limit private investment. With a more targeted, data-driven, and coordinated approach, DC is well positioned to strengthen its retail ecosystem, support local businesses, and reestablish itself as one of the country's leading urban retail markets.

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